



INSTALLATION REPORT OF AUDIT

F2009-0064-FBS000

**American Recovery and Reinvestment
Act of 2009 Requirements
27th Special Operations Wing
Cannon AFB NM**

Southwest Area Audit Office

15 September 2009

INTRODUCTION

On 17 February 2009, the President signed into law the American Recovery and Reinvestment Act of 2009, with the express purpose of stimulating the economy. The Recovery Act provided the Department of Defense with \$3.4 billion for facilities sustainment, restoration, and modernization projects. As of July 2009, the 27th Special Operations Wing had awarded two military family housing projects totaling \$1.4 million using Recovery Act funding.

OBJECTIVES

We performed this centrally directed audit to determine whether the 27th Special Operations Wing properly managed Recovery Act sustainment, restoration, and modernization requirements. Specifically, we determined whether wing personnel:

- Properly justified Recovery Act projects.
- Met Recovery Act goals by fostering competition, expeditiously awarding contracts, and creating or retaining jobs.
- Reported information so it was transparent to the public.
- Included all new Federal Acquisition Regulation clauses in Recovery Act contracts.

CONCLUSIONS

Overall, 27th Special Operations Wing personnel can more effectively manage Recovery Act requirements for the two projects reviewed. Specifically, civil engineer personnel properly justified military family housing projects, and contracting officials met Recovery Act goals by fostering competition and expeditiously awarding contracts. (Tab A, page 1). However:

- Contracting officials did not report contract information so it was transparent to the public. As a result, the wing did not achieve visibility for two contract actions valued at \$1.4 million. (Tab B, page 3)
- Contracting officials did not include all applicable Federal Acquisition Regulation clauses in two Recovery Act contracts. As a result, the Air Force cannot hold contractors fully accountable for abiding by Recovery Act requirements. (Tab C, page 5)

**MANAGEMENT
CORRECTIVE
ACTION**

During audit, contracting officials took corrective steps to properly report contract actions for visibility. In addition, contracting personnel modified respective contracts to include required Federal Acquisition Regulation clauses. (Reference Tabs B and C for specific corrective actions.)

RECOMMENDATIONS

We made one recommendation to improve the management of Recovery Act requirements. (Reference Tab B for specific recommendation.)

**MANAGEMENT'S
RESPONSE**

Management officials agreed with the audit results and recommendation in Tabs A, B, and C. Accordingly, there are no issues requiring elevation for resolution.



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BACKGROUND

The goal of the American Recovery and Reinvestment Act of 2009 is to provide an infusion of money, within specific guidelines, that will result in a jump start to the United States economy. Recovery Act guidelines include initiating expenditures and activities as quickly as possible in a manner consistent with prudent management. Further, Recovery Act projects should be fully justified and consistent with Recovery Act goals and requirements.

- **Project Justification.** Organizations submit Department of Defense Form 1391, *Military Construction Project Data*, to the base civil engineer to request facility sustainment, restoration, and modernization projects. The Form 1391 describes the requested work and details the justification for the project. The civil engineer uses information on these forms as the basis for evaluating requirements and selecting projects for Recovery Act funding.
- **Recovery Act Goals.** The President indicated multiple goals for the Recovery Act, including: (1) awarding projects quickly and putting the money into the economy quickly; (2) fostering competition; and (3) creating and retaining jobs. In addition, organizations should use competitive, firm, fixed price contracts to reduce risk to the government and taxpayers. Beginning in October 2009, contractors who receive Recovery Act funds will be required to submit information quarterly (amount of money expended, percent of project completion, salaries of particular personnel, and the number of jobs created/retained).

AUDIT RESULTS 1 – JUSTIFICATION AND GOALS

Condition. Civil engineer personnel properly justified the two military family housing projects reviewed (Table 1). Further, contracting officials met Recovery Act goals by fostering competition and awarding contracts expeditiously. In particular,

- Personnel selected two military family housing projects that were valid needs and could be quickly executed. For example, privacy fencing in obvious disrepair has been on the Cannon Air Force Bases' project plan list since 2006. Additionally, carbon monoxide/smoke detectors that do not meet fire and safety requirements cannot provide for the safety of military personnel and their families.
- Contracting personnel awarded both projects under existing small business contracts that were properly competed at their inception.¹

¹ Since the two projects fit within the scope of existing contracts, job creation/retention was not a factor in the contract award process.

Contract Number	Description	Contracted Amount
FA4855-07-D-0005	Military Family Housing Privacy Fencing	\$1,199,531
FA4855-06-D-0001-5003-05	Military Family Housing Carbon Monoxide/Smoke Detectors	\$184,613
	Total	\$1,384,144

Table 1. Recovery Act Contracts

Cause. This condition occurred because wing personnel followed established guidelines for selecting and awarding Recovery Act projects.

Impact. As a result, the wing timely infused \$1.4 million in Recovery Act funds into the economy.

BACKGROUND

Organizations meet transparency requirements for Recovery Act contract actions by posting information on the Federal Business Opportunities and Federal Procurement Data System web sites.

- The Federal Business Opportunities is the single government point-of-entry for Federal government procurement opportunities over \$25,000. This website contains all Federal government solicitations and contract awards. Further, Federal Acquisition Regulations (FAR) require all contract actions over \$25,000 be posted on the Federal Business Opportunity website, along with information specific to Recovery Act projects.
- The Federal Procurement Data System is the Federal government's central source of procurement information. Contracting officers enter information, to include the Treasury Account Symbol, in the Federal Procurement Data System for all Recovery Act contract actions. Including the Treasury Account Symbol enables the Procurement Data System to provide transparency by generating and posting a report containing all Recovery Act contract actions.

AUDIT RESULTS 2 – TRANSPARENCY

Condition. Contracting personnel did not properly report contract information for the two Recovery Act projects reviewed so it was transparent to the public. Specifically, personnel did not:

- Post the contract award for the military family housing privacy fencing project to the Federal Business Opportunity website.
- Include the Treasury Account Symbol in contract postings to the Federal Procurement Data System for two military family housing projects (privacy fencing and carbon monoxide/smoke detectors).

Cause. This condition occurred because contracting officials did not establish contract review procedures that included Recovery Act requirements. A contributing factor was a gap in oversight that was created when the contracting officer left the position and the new contracting officer was awaiting his contract warrant.

Impact. As a result, two military family housing projects valued at \$1.4 million were not properly disclosed for transparency to the public.

Corrective Action. During the audit, contracting officials:

- Posted the award for the privacy fencing contract in the Federal Business Opportunities.

- Added Treasury Account Symbol information to both contract actions to provide Recovery Act project transparency in the Federal Procurement Data System.

Recommendation B.1. The 27th Special Operations Contracting Squadron Commander should direct contracting officials establish contract review procedures that include Recovery Act requirements.

Management Comments. The 27th Special Operations Wing Vice Commander concurred with the audit result and recommendation and stated, “Contracting personnel will incorporate Recovery Act requirements in contract review checklists to ensure all requirements are met in the future. Estimated completion date: 31 December 2009.”

Evaluation of Management Comments. Management actions taken and planned addressed the issues raised in this tab and should resolve the discrepancy identified.

BACKGROUND

To implement controls over Recovery Act funding and reinforce the goals of the act, the Government established FAR clauses specifically related to Recovery Act contract actions. Contracting officials are required to insert applicable clauses in all contracts funded by the Recovery Act. These clauses include:

- FAR 52.203-15, Whistleblower Protection Under the American Recovery and Reinvestment Act of 2009.
- FAR 52.204-11, Recovery Act Reporting Requirements.
- FAR 52.225-21, Required Use of American Iron, Steel, and manufactured Goods – Buy American Act – Construction Materials.
- FAR 52.225-22, Notice of Required Use of American Iron, Steel, and Other Manufactured Goods – Buy American Act – Construction Material.
- FAR 52.244-6, Subcontracts for Commercial Items and Commercial Components.
- FAR 52.215-2, Audit and Records – Negotiation.
- FAR 52.222-6, Davis-Bacon Act.
- FAR 52.212-4, Contract Terms and Conditions – Commercial Items.
- FAR 52.212-5, Contract Terms and Conditions Required to Implement Statutes or Executive Orders – Commercial Items.

AUDIT RESULTS 3 – FEDERAL ACQUISITION REGULATIONS

Condition. Contracting personnel did not include all applicable FAR clauses in the two Recovery Act contracts reviewed. Both military family housing contracts were missing at least two required FAR clauses. Specifically:

- The privacy fencing contract was missing FAR 52.203-15 and FAR 52.244-6.
- The carbon monoxide/smoke detector contract was missing FAR 52.203-15, FAR 52.204-11, FAR 52.225-21/22, and FAR 52.244-6.

Cause. This condition occurred because contracting officials did not establish contract review procedures that included Recovery Act requirements. In addition, the Air Force did not provide specific guidance on applying Recovery Act FAR clauses to existing contracts.

Impact. As a result, the wing cannot hold contractors fully accountable for complying with Recovery Act FAR requirements.

Corrective Action. During the audit, contracting officials modified contracts for both military family housing projects to include the missing FAR clauses.

Audit Note. A recommendation is not required in this Tab regarding contract reviews since these reviews were addressed in the Tab B recommendation. Further, the issue of guidance on the application of FAR clauses was forwarded to the audit focal point for inclusion in the Air Force report of audit.

Management Comments. The 27th Special Operations Wing Vice Commander concurred with the audit result and corrective action taken.

Evaluation of Management Comments. Management actions taken addressed the issues raised in this tab and should resolve the discrepancy identified.

AUDIT SCOPE

Audit Coverage. To determine whether 27th Special Operations Wing personnel properly managed Recovery Act facilities sustainment, restoration, and modernization requirements, we reviewed documentation dated July 2005 to August 2009. We obtained an understanding of the management control structure by reviewing regulatory guidance and discussing Recovery Act processes with comptroller, civil engineer, and contracting personnel. We conducted the audit from July to August 2009 and provided management a draft report on 8 September 2009.

- **Justification.** To determine whether officials properly justified projects for the Recovery Act, we examined DD Forms 1391, *Military Construction Project Data*, for both sampled projects. We also reviewed the wing's Integrated Project Listing and discussed project selection with civil engineer personnel.
- **Recovery Act Goals.** To determine whether personnel met Recovery Act goals, we obtained the 31 July 2009 open document listing for the Recovery Act military family housing fund code from the Commander's Resource Integration System and compared listed projects with the wing's Recovery Act project listing. We also determined whether funds had been properly transferred for Recovery Act projects. For the two sampled projects, we compared original project estimates with contract award amounts to confirm personnel did not change the scope of projects to obtain Recovery Act funding. We also reviewed the contract and solicitation to determine whether new or existing contracts were used, whether solicitations were competed, and whether firm fixed price contracts were awarded. Additionally, we reviewed award decision documentation to determine whether contracting officers properly evaluated offers. Finally, we met with quality assurance personnel and contracting officers to discuss plans for reviewing contractor required reporting.
- **Transparency.** To determine whether officials reported contract information to provide transparency to the public, we reviewed information on the Federal Business Opportunities website for solicitation and award postings for the two selected projects. We also determined whether the posted contract actions complied with Recovery Act requirements. We reviewed information posted on the Federal Procurement Data System to determine whether contracting officials properly reported selected projects for Recovery Act visibility. In addition, we reviewed contract files to determine whether contracting officials reviewed contractor status in the Excluded Parties List System. We also reviewed contractor registration in the Central Contractor Registration and the Online Representation and Certifications Application. To review the accuracy of transparency information, we discussed contracts with contracting officials and examined contract files to review rationale for contract award methods and small business coordination. Specifically, we discussed the period of performance, scope of work, and maximum contract amount for both existing contracts (in view of the current Recovery Act projects).

- Federal Acquisition Regulations. To determine whether officials included all required FAR clauses in Recovery Act contracts, we reviewed contract files for both reviewed contracts. We also discussed each FAR clause with contracting officials for both sampled projects.

Sampling Methodology.

- Sampling. To accomplish our audit objectives, we reviewed a sample of 2 (14 percent) of the 27th Special Operations Wing's 14 Recovery Act facilities sustainment, restoration, and modernization projects. The sample was selected by the Department of Defense Inspector General. We did not project results.
- Computer-Assisted Auditing Tools and Techniques. We used Microsoft Excel[®] advanced filters to isolate Recovery Act data, and "Count-if", and "Sum" functions to calculate and summarize missing FAR clauses and contract transparency information.

Data Reliability. Although we relied on computer-generated data from the Commander's Resource Integrated System, we did not evaluate the systems' general or application controls. Instead, we established the data's reliability by comparing system data on the Open Document Listing for Recovery Act fund codes to the recovery act project listing, original project estimates, and contract award amounts for the two military family housing contracts reviewed. Our tests disclosed that the system data were accurate for the contracts reviewed. Therefore, we concluded that the data were sufficiently reliable to support the audit conclusions.

Auditing Standards. We accomplished this audit in accordance with generally accepted government auditing standards and accordingly included tests of internal controls considered necessary. Specifically, we reviewed management oversight and documentation controls over Recovery Act project selection and contract award processes.

Discussion with Responsible Officials. We discussed/coordinated this report with the 27th Special Operations Wing Vice Commander, 27th Special Operations Mission Support Group Commander, 27th Special Operations Civil Engineer Squadron Commander, 27th Special Operations Contracting Squadron Commander, and other interested officials. Management was advised this audit was part of an Air Force-wide evaluation of American Recovery and Reinvestment Act of 2009 Requirements (Project F2009-FD1000-0516.000). Therefore, selected data not contained in this report, as well as data contained herein, may be included in a related Air Force report of audit. Management's formal comments were received on 14 September 2009 and are included in this report.

PRIOR AUDIT COVERAGE

A review of prior audits and contact with the audit focal point disclosed no other audit report issued to the 27th Special Operations Wing (formerly the 27th Fighter Wing) by any audit agency within the last 5 years that related to our audit objective.

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PROJECT NUMBER

We accomplished this audit under project number F2009-FD1000-0516.031.

FREEDOM OF INFORMATION ACT

The disclosure/denial authority prescribed in AFD 65-3 will make all decisions relative to the release of this report to the public.